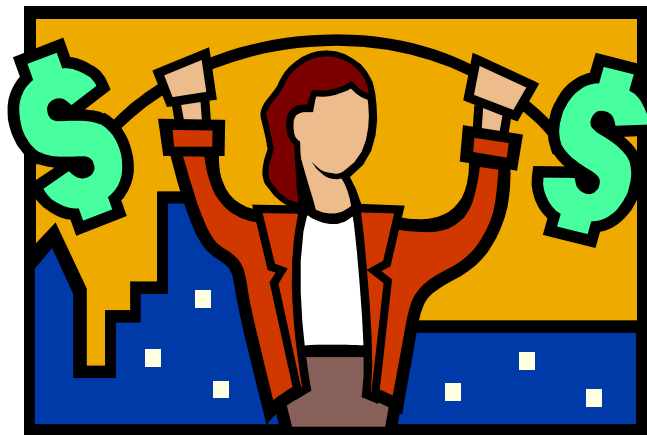


SOLANO COUNTY GRAND JURY



City Budget Updates

Rio Vista & Suisun City



2004-2005 Grand Jury Report

Issued: June 2, 2005

**City Budget Updates
Rio Vista & Suisun City
2004-2005 Solano County Grand Jury Report**

I. Reason for Investigation

Based on the findings of the 2003-2004 Grand Jury, the 2004-2005 Grand Jury decided to follow up with the cities of Rio Vista and Suisun City to see if improvement had been made regarding the financial status of each city.

II. Procedure

- The Grand Jury received and reviewed the city budgets for Rio Vista and Suisun City for the 2004-2005 Fiscal Year and the audit reports for the 2003-2004 Fiscal Year.
- The Grand Jury interviewed the Interim City Manager and Finance Officer of Suisun City

III. Background

The 2003-2004 Solano County Grand Jury did a comprehensive review of the budgets of the County and each of the seven cities because of concerns about the financial condition of the State of California and the effect that efforts to balance the state budget would have on the revenue flowing to the county and cities.

The key to fiscal stability for local government is to maintain adequate reserves and to do adequate budget forecasts so that the impact of unexpected events that may be beyond the control of local officials can be mitigated. Proposition 1A, that was passed in November 2004, stops the state from raiding city funds after 2006. Cities now can plan better for the future and submit to their councils' projections of where their city may be in five years if certain actions are taken.

Two cities were of particular concern to the 2003-2004 Grand Jury: Suisun City and Rio Vista. Neither city had an approved final budget by the statutory deadline for the 2003-2004 Fiscal Year.

At the time of the last Grand Jury report, the City of Rio Vista had an interim City Manager, an interim Finance Director, an interim Public Works Director and a contract City Attorney. Since then a new City Manager and Director of Finance have been employed and recruitment for a Fire Chief, Police Chief and Director of Public Work are in progress. It appears that Rio Vista has made a huge leap forward in its management of city operations.

Suisun City is very dependent on revenues from the Vehicle License Fee (VLF). The 2003-2004 Grand Jury reported that if the VLF was reduced or eliminated by the state, the city would face grave consequences. Total VLF the City was to receive for 2003-2004 was \$1,278,500 or about 26% of General Fund revenue. The actual loss of VLF revenue was \$306,000.

IV. Findings & Recommendations

City of Rio Vista

Finding #1 - Rio Vista now has a very comprehensive budget which includes a 20% General Fund reserve and a Capital Improvement Plan. The budget was adopted by the City Council on July 1, 2004.

Recommendation #1 – None.

Finding #2 - According to the 2004-2005 budget package, Rio Vista expects to develop a five-year budget plan within the next year.

Recommendation #2 - The City should adopt the five-year budget plan, which can be updated yearly to account for changing conditions.

City of Suisun City

Finding #3a - Suisun City adopted the 2004-2005 budget on time. However, the City continues to budget on a year-to-year basis, rather than forecasting over multiple years.

Finding #3b - Suisun City estimates that it has a “structural deficit” of \$800,000 per year which it has addressed by staff reductions, cutting services and contracting with the Sheriff’s office for some public safety services.

Finding #3c - Suisun City has built a very large reserve fund (approximately 50% of General Fund revenues), mostly from non-recurring revenues.

Recommendation #3 - The large reserve gives the City flexibility it needs to address the budget deficits and bring the City’s budget into balance. The Grand Jury recommends that Suisun City develop five-year fiscal projections, based on the best available information about when new revenue sources will come on line and when growth in the city will require new infrastructure and additional services. This will allow Council members to make informed decisions today about capital projects, hiring freezes and outsourcing, with some concrete idea of the effect these actions will have on the fiscal outlook of the city.

Finding #4 - Suisun City has not prepared a new Capital Improvement Plan since 1994.

Recommendation #4 - The City should adopt a five-year Capital Improvement Plan, with annual updates as new information becomes available.

V. Affected Agencies

- City of Rio Vista
- City of Suisun City